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MARKET ORIENTATION IN ITALIAN WINERIES

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Abstract

The purpose of this paper is to analyze the degree of market orientation that characterizes Italian wineries. Particular attention is paid to the relationship between market orientation and the main antecedents described in the most prominent literature. Relationships with new and different variables are hypothesized by our experience and informal contacts with owners of Italian wineries.

The wine market is facing different challenges: globalization and the entrance of new important players have made the industry an environment in which competition is very fierce. Market orientation provides a strategic configuration useful to operate in such a scenario. Interviews with wineries' managers confirm and even reinforce the theory. The organizational culture configuration of market-oriented wineries is put under the spotlight and significant positive relationships are found between openness and professional approach and Market Orientation and between Market Orientation and average price. Furthermore this paper shows that highly market oriented wineries are significantly smaller than their lowly market oriented counterparts.

Introduction

Research question: How market oriented are Italian wineries?

Competing in wine industry has become more challenging in the past few years. Italy has always had a remarkable heritage on wine making and is one of the top two biggest producers worldwide together with France.¹ The Italian wineries system was historically characterized by the presence of a complicated web of small familiar enterprises that produced wine for internal family consumption, selling the exceeding part to the nearest families/bar/restaurants. In this context the focus was especially on getting the production done in time with an acceptable quality. Customers had no other choice but to adapt and look for the producers they liked the most.

Wine occupies a very important place in Italian culture, served with every meal. Along the past twenty years different factors have brought about changes in the industry (calling for an adaptation to be made by the wineries). To mention a few:

- Different lifestyles
- New generations needs and wants
- Entrance of new beverages
- Modernization of the needs and wants
- Entrance of new players
- Globalization (tastes, cultures and lifestyles)

Wine, traditionally an “everyday product”, became a premium experience, that fits, according to modern consumer, special occasions. The individual average consumption of wine dropped a lot (Assoenologi, 2012) and the consumer became more and more selective and demanding

¹ Food and Agriculture Organization (FAO) United Nations

about the product.² This, along with the globalization and the entrance of new international and strong players in the market, caused changes in the way a wineries should operate to be successful. Merely producing the wine is no longer sufficient to sustain this kind of business. The new environment calls for organizations that understand customers and develop a good offer accordingly.

The saturation of the local market is responsible for an orientation toward foreign markets. In this regard the “made in Italy” label represents a strong asset and eases the process of marketing the product to worldwide consumers, but it cannot be the only factor.

The concept of Market Orientation has been studied for more than 20 years now.

Market orientation is generally defined as the organization’s ability to look at the outside environment and implement activities that follow the information gathered (personal adaptation). As hypothesized in this study, market orientation could represent an optimal solution for organizations operating in the wine industry. The major constructs included in the concept (of Market Orientation) are related to: the attention on serving customers, the regular information gathering regarding customers and competitors and the ability of establishing long term relationships with clients. Interviewing wineries’ managers has confirmed the importance of these constructs and has reinforced the theory on which this study is based. The main issues that a winery is facing nowadays are related to the globalization and to the drop in consumption that affect the internal (Italian) market; in this scenario wine companies are forced to explore new markets, which have different cultures, habits and tastes. Understanding what are the needs, monitoring players in the environment and maintaining relationships are key success factors of a successful strategy in this sense (from interviews with wineries’ managers).

² The average individual consumption of wine in Italy was 45 liters in 2007 and it is predicted to drop to less than 40 liters in 2013.

The purpose of this study is to analyze the degree of market orientation of Italian wine companies and the culture configuration that goes along with it, with the objective of finding what is the best match between them. This study adds to the Market Orientation's literature an analysis regarding a still quite unexplored industry. Other important variables are also analyzed to see the relationship with the concept of market orientation.

The reason for why I have chosen to pursue this topic resides in my passions and my current field of studies. I wanted to research about a subject that combines my passion about agriculture and the wine world with my current studies.

Literature Review

A careful review of the literature regarding market orientation reveals little attention to the implementation of the concept into the wine industry, both for the smaller organizations and for the more international and bigger ones. The concept of market orientation departs from the classical marketing literature and takes also a strategic importance. Therefore, to start off, it is compelling to analyze what are the motivations that go in favor of the implementation of a market-oriented approach within an organization. After analyzing market orientation and how it was referred to in the past, we will embed the concept in company decision making process and in strategic decision making, then we will move on to describing the activities of a typical wine company and the role of Market Orientation inside them.

Embedding Market Orientation in corporate strategy.

In order for a company to be successful and to sustain the performance in the long term a good strategic planning is needed. Among the most famous models used in this regard, the Resource Based View has a great importance. One of the last and most complete review of this theory was made by Lockett, Thompson, & Morgenstern (2009, p.24) in which is stated:

“It is important, therefore, that more scholarly effort is invested in trying to understand resource functionality and how this relates to the potential product/service market space a firm may compete in”. This offers a possibility for market orientation, in the sense that it could be the missing piece in this citation, allowing for a robust and sustainable corporate strategy. Also Hooley & Piercy (Ch. 6, 2007) take this perspective on market orientation, highlighting the importance for an organization to develop strategies that are consistent with the market place.

RBV and MO can be viewed as two theories in conflict and apparently they are: the first emphasizes an in-ward looking approach to the organization whereas the second looks outside (at the market) to identify potential changes and building adequate responses.

If a company keeps looking inside, without caring about what is happening around, it takes the risk of investing and developing skills and capabilities that cannot generate value for the market. It also takes the risk of wrong positioning and targeting, since it is basically ignoring the market.

Combining RBV with a market-oriented approach could be the solution and in Hooley & Piercy (Ch. 6, 2007) it is argued: *“competitive positioning provides a way of reconciling the potential conflict”*. Thanks to the correct competitive positioning the organization can choose the most attractive markets, where the internal resources can be most valuable. Market Orientation becomes a key company capability in this regard. The figure that follows shows this linkage.

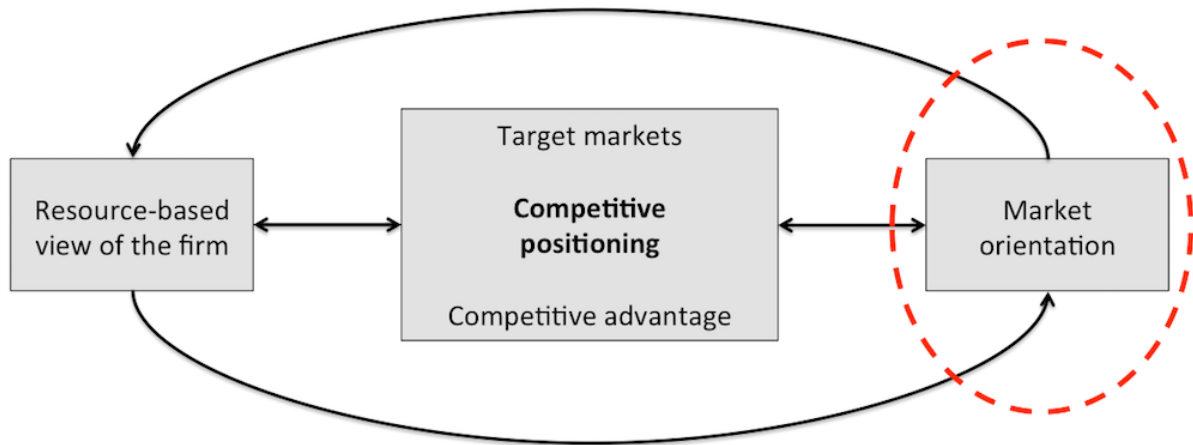


Figure 1: Embedding market orientation in corporate strategy. Source: Hooley & Piercy (2007)

Today's turbulent market conditions further reinforce the importance of market orientation: given the amount of changes it is important to extensively generate intelligence about the outside markets and diffuse it within the organization, in order to correctly identify the most important resources.

The perspective reported by Day (1994) is another point of connection between Market Orientation and Resource Based view. The author explains that in today's turbulent market condition a company has to take into consideration what is happening outside the organization, in order to develop fundamental strategies. Marketing assets, which are the resource endowments of the business by which the company relates to the market (brand equity is one of the most typical example), are largely important. Nevertheless, according to Day (1994), competitors can easily reproduce assets and, therefore, in order to develop a sustainable competitive advantage, a company should develop capabilities. These are defined as the "glue" that brings together the assets of the company. Their main characteristic is being difficult to identify and imitate by competitors. Capabilities could be, among all, the routines, the behaviors and values that characterize the company and are deeply embedded in it so they cannot be valued, identified or traded. In Day (1994) the importance of the marketing capabilities is highlighted, prompted by the hypothesis that in today's turbulent

environment (as already stated above) a company should be constantly looking at the market in order to be successful. In the article, capabilities of a market-driven organization are defined and identified:

Market sensing capabilities:

- Open-minded inquiry: reflected in the way an organization acquires information from the external environment, not a mere acquisition of information, but a “thoughtful” process, “in the belief that all decision start with the market” (Day, 1994, p.44). These kinds of activities are divided in active scanning, self-critical benchmarking, continuous experimentation and improvement and informed imitation.
- Synergistic information distribution: this represents the way an organization stores and distributes the intelligence throughout all departments. It has to be a formal and systematic process, in order to use efficiently the information where they are more beneficial.
- Mutually informed interpretations: this refers to the way the managers interpret the information acquired, using particular techniques that obliged the decision makers to “examine and eventually modify their mental models of how their markets work, how competitors and suppliers will react, and the parameters of the response coefficients in their marketing programs” (Day, 1994, p.44).
- Accessible memory: highlights the importance, for a market driven organization, to store the information using system (IT software, database above all) that can assist and make the accessibility of the information as efficient as possible, to endow the organization with an own “memory”.

Customer linking capabilities are really important in the wine business, due to the fact that most of the times in this industry, relationships represent the most important resources to

achieve an excellent selling performance (interview with wineries managers). A list of these customer-linking capabilities highlighted by Day (1994) follows:

- Close communication and joint problem solving: both refer to the importance of having the sales function committed on maintaining relationships with supplier and customers (the latter covers far more importance in the wine industry).
- Coordinating activities: it refers to the improvements of the activities that tie together the organization with customers and suppliers in order to deliver better products to the final consumer. In the wine industry the importance of this capability is focused on the coordination with customers rather than suppliers.³ The theory explained by Day (1994) give us the possibility to reinforce again and even more the importance of being market oriented and introduce what should be the strongest point on which a company should build his strategy in order to be market-driven, or better, market oriented.

About Market Orientation

As mentioned before, for a company to develop successful strategies in today's more and more turbulent market conditions and in order to create and maintain a Sustainable Competitive Advantage, Market Orientation is the answer. As highlighted by Day (1994) marketing capabilities in order to be sustainable have to be deeply embedded in the company routines and culture. Theory about market orientation explores this track, analyzing the ability of an organization to be directed toward the outside's environment. Narver and Slater (1990), one of the most famous papers on the topic, relies on this argument to hypothesize (and then confirm) the positive relationship that exists between market orientation and

³ Wineries are part of the primary sector, most of them are producing the whole amount of the wine they sell. The main raw materials are produced internally and autonomously, for these reasons suppliers don't have strong importance.

performance of the company. Narver & Slater (1990) divide the construct in three main orientations: customer orientation, competitor orientation and interfunctional coordination. A deeper description of each one of them follows.

Customer orientation is considered to be the focus of an organization in order to create value for it in the long term. There are different ways of creating value for a customer⁴ and all the information needed and the process organized to realize it have to be made in compliance with a customer oriented company culture. Here again, the focus is not only on the customer himself with his current needs, but rather on his future needs (either expressed or non-expressed) and the environment in which he is living in. Therefore, the need of producing intelligence about the abovementioned factors is fundamental.

Competitor orientation brings about an additional point of view. The concept takes into consideration the fact that a company is operating in a competitive environment. It represents the generation of intelligence related to the current situation of the organization's competitors and to the future evolutions and scenarios of their position into the market. It is of great importance for market orientation because of the importance that competitors' moves have into the success and long-term sustainability of a company. The analysis of the competitors must include also their endowment in terms of assets and capabilities in relation with the prospect needs of the common target buyers. In a dynamic sector, with growing international competition, developing intelligence about the player in the same industry is of great importance for determining successful strategies for the future.

Interfunctional coordination is a concept already discussed above and considered of extreme importance also in the model developed by Kohli & Jaworski (1990, p.22). It is related to the *“coordinated utilization of company resources in creating superior value for*

⁴ According to Treacy and Wiersema (1997) there are three different way of creating value for a customer: product leadership, customer intimacy and operational excellence. Therefore, independently from the generic strategy used, being customer oriented creates value.

target customers". It is important to understand that every step of the value chain and of support activities can generate value for a potential buyer, thus a perfect execution of company's activities should take into consideration the spreading of external intelligence throughout all the organization. Every department can make the difference in following market signals and producing consequent decisions. This concept is a factor that has to be set also from a strategic point of view, since it has a great relevance in the organization's structure decision made by the highest management levels. Wind & Robertson (1983) confirmed the strategic importance of interfunctional coordination: creating superior value for the customer is a practice that embraces all the different aspects of the product/service delivering, therefore all the business functions should be incorporated in a successful marketing strategy. Nevertheless, the industry analyzed in this thesis is characterized by small companies held by families or entrepreneurs with the collaboration of few employees. Therefore the typical structure of Italian wineries is very agglomerate and does not have a multi-department organization; this fact adds a peculiarity to the study and makes us hypothesizing a high level of interfunctional coordination.⁵

In developing their measurement instrument two important factors were taken into consideration by Narver & Slater (1990): long-run perspective and profitability.

Long-run perspective emphasizes the objective of an organization, which is the survival and the generation of value in the long term. This factor also has an influence in the way the three concepts described above (Customer orientation, Competitor orientation, Interfunctional coordination) are implemented.

Profitability is in this case considered to be an objective of the business, a factor that has to influence decisions in the company as an orientation.

⁵ According to ISTAT (2010) the average wineries dimension in Italy is less than two hectares, which is largely below the world average.

The conceptualization made by Narver & Slater (1990) is the most used in the field and therefore, in the present study, the analysis will be mostly based on the factor reported in the paper.

While Narver & Slater (1990) adopt a cultural point of view (Lafferty and Hult, 2001), Kohli & Jaworski (1990) take a managerial approach, translating the most prominent definition of marketing at the time in three main pillars: the customer focus, the coordinated marketing and the profitability.⁶

Customer focus confirmed to be the one with the highest consideration among practitioners, it mainly represent practices, like customer research, that cause in inflow of information from outside, but also goes beyond them. Here the concept of market intelligence is introduced, to define not only the information taken by the opinions of the customer, but also all the information that come from the elaboration of this data. Market intelligence should consider market factors that affect customer preferences as well as future market factors and future customer needs.

Coordinated marketing, which emphasizes the fact that market orientation, should be a matter of everyone in an organization, not only of the marketing department. This not only relates to the coordination and the generation of intelligence by all the departments, but also in favor of a company culture that fosters the attention to the customer and to the external environment generally.

⁶ These two most prominent definition of marketing were:

- Felton (1959, p.55), who defines the marketing concept as: *“a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic purpose of producing maximum long-range corporate profits”*.
- McNamara (1972, p.51), who gives a different definition: *“a philosophy of business management, based upon a company-wide acceptance of the need for customer orientation, profit orientation and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments”*.

Profitability, which refers to a focus an organization should have toward a sustainable business.

These three pillars are thus translated in action through another three different activities: **intelligence generation, intelligence dissemination and responsiveness**. Field interviews in Kohli & Jaworski (1990) confirmed the importance of such actions. Generation and dissemination easily refers to the first two pillars of the market orientation construct, whereas the third one underline the fact that, in order to have sustainable profit for the company, it is also important to use such information and intelligence generated to implement actions and take strategic and marketing decisions.

An interesting article written by Cadogan and Diamantopoulos (1995) efficiently puts together the two theories that have just been described above: Narver & Slater (1990) and Kohli & Jaworski (1990). Furthermore Cadogan and Diamantopoulos (1995) join the two theories in a framework that considers the international environment in which most of the companies are operating nowadays.⁷ They also identify overlaps and differences between the two theories, concluding that, on an overall perspective the two different conceptualizations are quite similar and overlap in a large number of construct measurement.

⁷ Due to the globalization of wine consumption an insight on how market orientation varies using an international perspective is extremely important for us.

		Kohli & Jaworski (KJ)		
		Intelligence Generation	Intelligence Dissemination	Responsiveness
Narver & Slater (NS)				
Customer Orientation	Conceptual Overlap: Yes Operational Overlap: Ambiguous Operational examples KJ: Poll end users to assess product quality NS: Measure customer satisfaction	Conceptual Overlap: Yes Operational Overlap: Yes Operational examples KJ: Customer satisfaction data disseminated throughout business NS: e.g., Understand customer needs	Conceptual Overlap: No Operational Overlap: Yes Operational examples KJ: Ignore changes in customers' product needs NS: Engage in aftersales services	
Competitor Orientation	Conceptual Overlap: Yes Operational Overlap: Ambiguous Operational examples KJ: Competitor intelligence generated by several departments NS: e.g. Salespeople share competitors information	Conceptual Overlap: Yes Operational Overlap: Yes Operational examples KJ: Department slow to alert each other about competitors actions NS: Top managers discuss competitors strategies	Conceptual Overlap: No Operational Overlap: Yes Operational examples KJ: Implement responses to competitors actions immediately NS: Respond rapidly to competitor activities	
Interfunctional coordination	Conceptual Overlap: Yes Operational Overlap: Yes Operational examples KJ: Members of manufacturing department interact with customers to learn how to serve them better NS: Engage in interfunctional customer calls	Conceptual Overlap: Yes Operational Overlap: Yes Operational examples KJ: Interdepartmental meetings to discuss market trends and developments NS: Share information amongst functions	Conceptual Overlap: Yes Operational Overlap: Yes Operational examples KJ: Departments get together to plan responses to changes taking place in other business NS: Engage in interfunctional integration of strategy	
		Exogenous Market Influences	Informal/Formal Dissemination	Response Design/Implementation

Figure 2. Source: Cadogan and Diamantopoulos (1995)

In international companies dynamics, information requirements increase largely and this has an impact on how the concept of market orientation is measured. The differences are not necessarily on the measured construct, but on the emphasis and the importance given to certain items in the measurement instrument. Therefore Cadogan and Diamantopoulos (1995, p.51) created additional items to be considered for future research in companies operating with foreign markets. A list of these items follows:

- Foreign market experience
- Availability/Quality of information
- Human resource policies
- Response rationale
- Information load – Purification/Distortion

- Organizational complexity
- Reliance on third parties

In the development of our measuring instrument the importance of these items will be taken into consideration.

The antecedents of Market Orientation

To give a better understanding of the concept it is also compelling to analyze how the antecedents and the consequences of market orientation were considered in the past.

In Kohli & Jaworski (1990) antecedents are treated widely and with an in-deep approach, analyzing every step of the conceptual model built. The antecedents are divided in three different ranges of factors: senior management factor, interdepartmental dynamics and organizational systems.

The first ones are considered to be the most important ones, since managers have an important role in the decision-making, defining strategies and have a strong influence in instilling the company's culture. This critical role of **senior management** is further emphasized by the field interviews and by the literature and results to be essential for fostering market orientation within the organization. Furthermore it shows the importance of the analysis of organizational culture as a driver of market orientation. Senior management factors are then divided in:

- Communication-action “gap” of top management, mediated by middle managers ambiguity, which refers to the ability of the managers to communicate and implement actions related to market orientation.
- Risk aversion of top management
- Upward mobility and education of top management
- Top management attitude toward changes

- Marketing managers ability to win trust of non-marketing managers mediated by interdepartmental conflict.

For the purpose of our study and the characteristics of the company that are going to be analyzed only three of these five concepts will be taken into consideration. This is mainly due to the typical dimension and organizational structure of a wineries: as stated above, the largest part of them (put the average dimension in Italy) is held by families or very small management teams (two or three individuals) that cover also the operational roles; therefore our focus should not consider the communication-action “gap” of top management and the Marketing managers ability to win trust of non-marketing managers. The absence of the last one is further justified by the fact that the majority of the wineries do not have a marketing department. Thus our focus is placed on the risk aversion, attitude toward change and education level. Following from the insights provided in Kohli & Jaworski (1990) we are hypothesizing education level to be positively related to the degree of market orientation, risk aversion to be negatively related to the degree of market orientation and a positive attitude toward change to be positively related to the degree of market orientation.

Interdepartmental dynamics is related to the coordination as well as to the intelligence dissemination. These are formal and informal relationships between departments in an organization. Conflicts in interest and during decision making may be really counter productive for the success of market orientation practices. Connectedness and concern for all employees’ idea are actions that can foster market orientation. Interdepartmental dynamics is related to the effectiveness of the implementation of marketing concept. Since companies object of our study are mainly held by small groups or families it may be analyzed how the communication and the relationship are managed between these small groups of individuals. The construct of interfunctional coordination (Narver & Slater, 1990) is related to interdepartmental dynamics and will be used in our study to assess this parameter.

Organizational systems factor is related to how the company is organized. This can profoundly change the way the organization share knowledge, generate intelligence, disseminate intelligence and organize the responses to the external environment analyzed.

The factors that characterize the organizational system are:

- Departmentalization
- Formalization
- Centralization
- Market-based reward systems
- Acceptance of political behavior mediated by the interdepartmental conflict.

Departmentalization, formalization and centralization are inversely related to the degree of market orientation, more specifically they are inversely related to intelligence generation, dissemination and response design but positively related to response implementation. This is hypothesized in Kohli & Jaworski (1990) after a deduction drawn upon the relationship between these variables and innovative behavior in a company made by Zaltman, Duncan and Holbek (1973). Market-based reward systems are supposed to be positively related to market orientation whereas acceptance of political behavior is positively related with interdepartmental conflicts and therefore negatively related with market orientation. Again in this thesis, in order to develop an efficient measuring instrument the focus should be put only on the interfunctional coordination construct, since the others appear to be scarcely relevant for small business (Pelham & Wilson, 1996).

In their meta-analytic review Kirca, Jayachandran & Bearden (2005) look at how the antecedents and consequences of market orientation were treated in the literature understanding the academic relevance of each of them. From their meta-analysis interdepartmental connectedness ($\beta = 0.36$ $p < .05$), top management emphasis ($\beta = 0.25$, $p < .05$) and market based reward systems ($\beta = 0.24$, $p < .05$) appear to be the most important

antecedents of market orientation. This evidence further triggers the research perspective of this thesis toward a deep analysis of the characteristics of managers and a culture that emphasize the focus on results.

Since wineries are mostly small, an adaptation of our perspective on small business is needed. Pelham & Wilson (1996) state that some of the items usually analyzed in market orientation studies are to be less relevant when applied in a small firm context. They posit that, due to the *“more cohesive culture and simpler organization, the benefits of coordination for market orientation are strongly diminished”* (Pelham & Wilson, 1996, p.28) and also that, due to the reduced line of products and personal contacts, the need of information generation is less. On the other hand they say that, consequently to these specific characteristics, a small firm can have the opportunity to fully exploit a market orientation, being strongly related with the performance.

Proactivity as future direction

Among the critiques concerning market orientation the main one is related to the fact that, benchmarking competitors and simply responding to what the customer wants, may lead to have a lot of company with the same characteristics that constantly enter hard competition schemes. As an answer to this problem, Narver & Slater (2004) conceptualize a new paradigm and divide market orientation between responsive and proactive. The first one is the behavior *“in which a business attempts to discover, to understand and to satisfy the expressed needs of customers”* (Narver & Slater, 2004, p.335). The second is the behavior *“in which a business attempts to discover, to understand, and to satisfy the latent needs of customers”* (Narver & Slater, 2004, p.335). The study shows the relationship between the two types of market orientation and new product success concluding that responsive market orientation is not sufficient and that proactive market orientation has a crucial role.

Although in this work new product success is not analyzed, the interviewed conducted with some wineries managers and the comments obtained through the survey, help us hypothesizing that maybe in the wine industry market orientation (the responsive market orientation) is not as beneficial as one should believe and that further research is needed in this direction. Merely responding to customer tastes could cause a globalization and flattening of the tastes, hindering the typicality and the expression of the characteristic qualities of the local producers.

On organizational culture.

Culture is defined as “the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization” (Deshpandé & Webster, 1989, p.4). It is reflected in the behavior that guides the people in an organization and it goes beyond the managerial practices⁸. *“It could be argued that market orientation is so fundamental that the cultural focus should be the starting point for the managerial focus”* (Kasper, 2002, p.1049).

In addition, adhocracy cultures⁹ are discovered to be associated with market orientation because of the flexibility and the external focus that characterized them (Day, 1999, p, 54).

It appeared that caring about people, customer as well as employees, being results oriented and having high ethical standards are among the most important drivers for a market oriented culture (Kasper, Van Helsdingen & Gabbott, Ch. 2, 2006). This shows the importance of setting the right corporate culture in order to foster market orientation within an organization. The responsibility of this shift is part of the top management task: the long-term strategic

⁸ Managerial focus, as considered in Lafferty and Hult (2001).

⁹ Quinn (1988). Adhocracy cultures are organic (effort on flexibility and spontaneity) and externally positioned (emphasis on competition and external environment).

decisions and the company culture they foster are identified as the most important antecedents of market orientation.

Hofstede (1991) is one of the most prominent studies on organizational culture. The conceptualization is clear and it fits perfectly with our purpose of analyzing the degree of market orientation. He divides organizational culture in six different dimensions:

1. Process orientation VS Results orientation: it is related to the degree the organization put the emphasis on the results or on the bureaucratic execution of the processes without caring about the final outcomes or the very last objective of the company.
2. Employee oriented VS Job oriented: it is related to the degree management pays attention to employees' wellbeing.
3. Professional VS Parochial: it is related to how employees are considering the organization they are working in, if it is the biggest part of their life and it determines also the thinking in the private sphere or if they keep the professional life separate from the private one.
4. Open VS Closed systems: it is related to the common style of internal and external communication and to the way new entrants are welcomed in the organization.
5. Tight VS Loose control: it is related to the degree of formality and punctuality.
6. Pragmatic VS Normative: it is related to the way the organization relates itself with the external environment, whether it is rigid or flexible. This parameter is hypothetically the more correlated with the degree of market orientation.

Hypothesis development

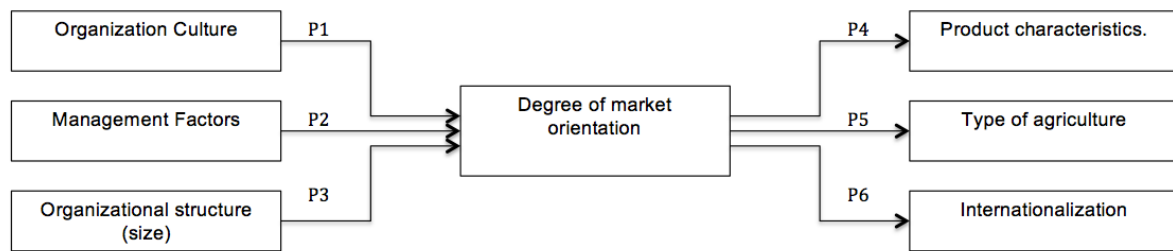


Figure 3: The whole conceptual model

The characteristics of the industry analyzed in this thesis add new and special importance to market orientation. Wine is a highly differentiated product and therefore analyzing the external environments turns out to be extremely important for an organization operating in such environment. Pelham (1997) analyzes the relationship between market orientation, product differentiation and customer differentiation finding that the existence of a market oriented approach in a company gives better performance for non-commodities products (high differentiation). This could be easily referred to the wine industry, stating that for such a product, market orientation is suggested.

To investigate an organization's culture the instruments derived from Hofstede (1991) will be used; some adjustment will be made according to the context: dimensions number two (Employee orientation VS Job orientation) and number three (Professional VS Parochial) will be taken out of the measuring instrument. This is possible for the characteristics of the companies we are going to analyze, as stated above the number of employee is not that relevant to make such parameters worthwhile to be measured.

A market-oriented organization has to homogeneously operate toward the strategic objectives that are set (e.g. customer satisfaction, market share) and therefore we hypothesize that

Pla: The more the organizational culture will be results oriented the higher will be the degree of market orientation of the organization.

Deriving from the different conceptualizations of Market Orientation we identify such a company culture as open, externally oriented, pragmatic, professional and employee oriented.

Therefore:

P1b: The more the organizational culture will be open, the higher will be the degree of market orientation of the organization.

P1c: The more the organizational culture will be pragmatic, the higher will be the degree of market orientation of the organization.

P1d: The more the organizational culture will be Professional, the greater will be the degree of market orientation.

P1e: The more the organizational culture will be employee oriented, the greater will be the degree of market orientation.

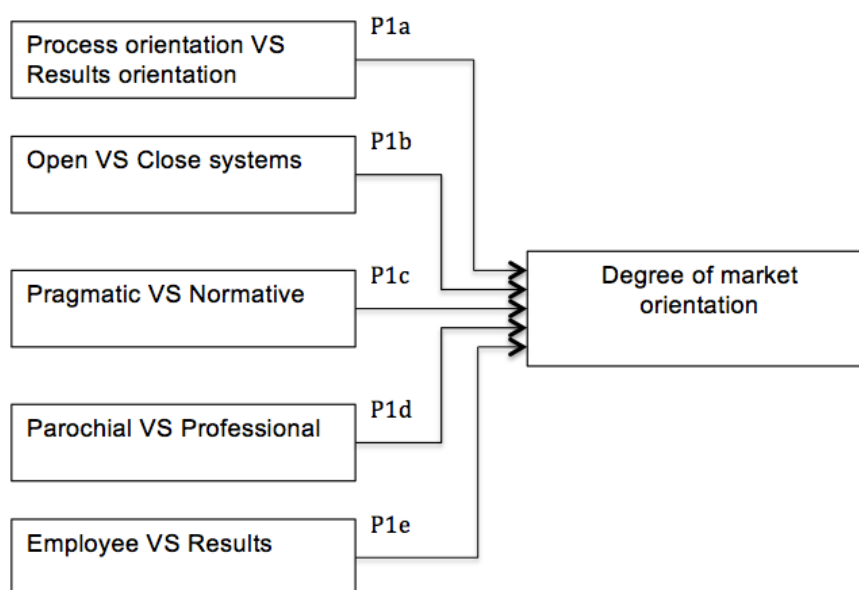


Figure 4: Organizational culture, conceptual model.

As presented above, senior management factors cover a great importance as antecedents of market orientation (Kirca, Jayachandran & Bearden, 2005; Kohli & Jaworski, 1990). In light of the foregoing we are hypothesizing that:

P2a: The greater the risk aversion of the management the lower will be the degree of market orientation.

P2b: The greater is the top management resistance to change, the lower will be the degree of market orientation.

P2c: The higher the education of the management the greater is the degree of market orientation.

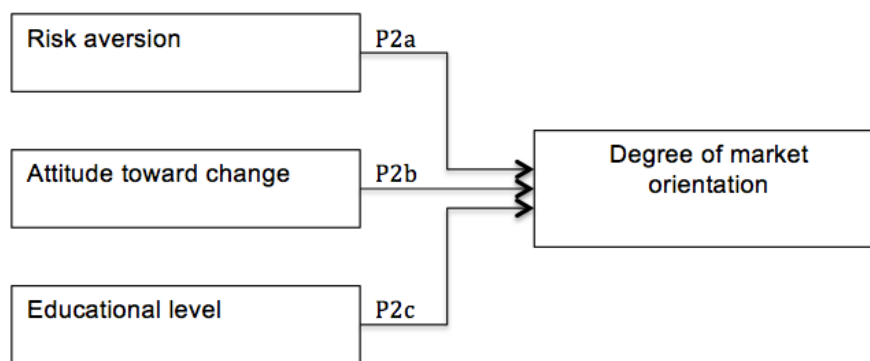


Figure 5: Senior management factors, conceptual model.

The size of the company, in terms of extension, revenues and number of employees has also been analyzed as a moderator of market orientation in the organization. According to a study made across UK companies, by Liu, H. (1995), large and extra large companies are more market oriented than the smaller ones. This allows us to hypothesize:

P3: The bigger the size of the company the greater will be the degree of market orientation of the company.

Products are the way the company interfaces with the market and creates value for the customers. We are therefore hypothesizing that the characteristics of the company in term of

degree of market orientation are also influencing the characteristics of the products line. For the industry analyzed in this thesis it is worthwhile to look at three different characteristics of the products line:

- The number of wine labeled as IGT, DOC or DOCG. This represents increasingly the quality standards respected by the products.
- The average price of the wines in the product line. Wine price is one of the ways of positioning the product value in consumers mind.

Market oriented companies should be able to capture the highest value from the products sold and should be able to deploy the highest quality standard, therefore we are hypothesizing:

P4a: The higher the degree of market orientation the higher will be the number of wines in the product line being part of labeled quality standards. (IGT, DOC and DOCG).

P4b: The higher the degree of market orientation the higher will be the average price of the product line.

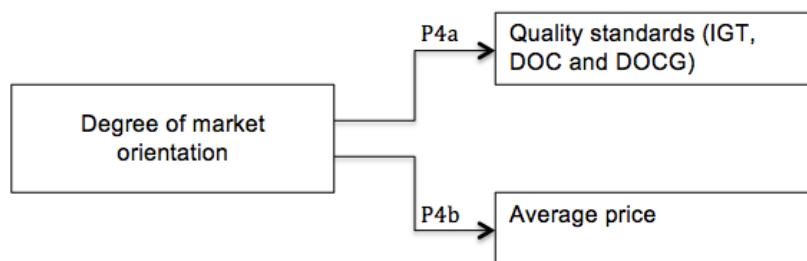


Figure 6: Product characteristics, conceptual model.

The causality nexus in these last two hypotheses deserves an additional comment. One can easily argue that also the contrary may be true, to give an example: a company charging higher average prices should be market oriented in order to be competitive in that specific market segment. Since with our analysis we are only looking at correlations and no causality analysis is conducted (due to the time scope available), the only way to take decisions on causality connections is through a strong literature back up and personal reasoning. In

management studies (unlike economics and econometrics studies) this process is widely accepted.

As already stated before, company market oriented behavior is something deducted from the company's organizational culture and for this reason it is extremely rigid and difficult to be changed; at least it is considered to be more difficult to be changed than a product configuration as price or quality standard should be. Therefore we strongly believe that a company degree of market orientation can make the company playing in different price ranges and different quality standards levels.

Another factor that can be easily analyzed is the relationship between the type of agriculture applied and the market orientation. We distinguish between the three most common types of agriculture present nowadays in the Italian landscape: traditional, integrated and organic. It is possible to put the three concepts on a continuum, with the traditional farming using the bigger amount of pesticides and chemical correction to the wine, and with the organic farming being respectful of the environment as much as possible.

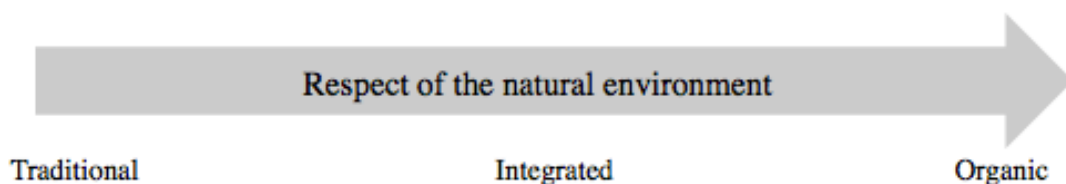


Figure 7: Degree of respect of natural environment. Source: Own analysis.

Market orientation, as previously stated, can be associated with having high ethical standards strongly embedded in the company culture; therefore it is reasonable to hypothesize that:

P5: The more a company will be market oriented, the more it will be oriented toward organic agriculture.

Companies that generate information, and pay attention to the external environment, are more oriented toward generating exporting strategies in the foreign markets (Armario, Ruiz & Armario, 2008). Furthermore, we believe that a company that is strongly oriented toward the external environment is more at ease, when it comes to considering a broader market as objective of its distribution strategy; therefore we are hypothesizing:

P6: The more a company is market oriented the more it will play in an international environment.

The Italian context.

Embedding the typical winery behavior in the Italian context brings other important characteristics to the study. According to the study made by Cardinali, Gregori & Pallonari (2010) Italian wine companies, also due to the structure, are mainly production oriented (so not market oriented) and are finding, nowadays, a lot of difficulties in selling the product, especially inside the country. Different reasons are at the base of this problem. The first one derives from the country culture, which has always considered wine as a product exclusively for the family consumption. Therefore according to the common Italian wine maker, there is no customer to be served and the product has to respect some personal tastes. The average company structure further fosters this phenomenon: small organizations for different reasons do not incentivize the development of a marketing department or even an attention to the targeted consumer. As Cardinali, Gregori & Pallonari (2010) say, the development of a market orientation is extremely important, especially in the competitive environment in which the wine companies are working nowadays: increasing globalization of the market, the entrance of new and extremely aggressive players (South Africa, California, Australia and even China) call for a new way of implementing this business.

What is still helping Italian wine companies is the “Made in Italy” factor, which is facilitating the export of the Italian products abroad. But the new challenge is further taking the advantage of this factor and exploits it even more. At the moment there is a big unused image capital and the country is experiencing a profound economic crisis. Other factor that are going in favor of the small wine companies are the possibility of association in biggest organization and the collaboration in different phases of the value chain. Usually what happens is that the mere wine making (and sometimes distribution) is made in a separate structure, which is owned by cooperatives of companies. In this way they are exploiting economies of scale. What could be done is reinforcing the marketing side of this association, using such organizations to develop a market-oriented behavior and being able to face today’s competition.

Market Orientation in Italian wine companies is something that has already been explored before. From this viewpoint this research is not to be considered exclusively “new”. What is going to make the difference in relation to other researches made in the past are the sub-questions addressed, the sample utilized and the research method.

According to researches made in the past, we expect the Italian wine companies to have no marketing department and to be focused on production, without being market oriented. Activities that relate to market orientation could be implemented but, when it happens, it is something informal and not strategically planned. We are also expecting that, according to Cardinali, Gregori & Pallonari (2010), the bigger is the organization and the more market oriented it will be. Moreover we also consider internationalization as an important factor. The more a company exports, the more we can find some formalized marketing activities that can be considered as part of a market orientation behavior.

Research Design

The research is based on survey distributed randomly to Italian wineries. To reduce as much as possible the length of the questionnaire, thus facilitating respondents' task, some items from the original scales have been taken out, based on the Cronbach Alpha index or on the factor loadings.

The questionnaire (Appendix 1) is structured as follows:

- 6 items on Organizational Culture. 1 item for Process vs People orientation, 1 item for employee vs Job orientation, 1 item for Parochial vs Professional approach, 2 items for Open vs Close culture and 1 item for Normative vs Pragmatic. These items are taken from Hofstede (1991). It was decided to take out the dimension regarding the degree of formalization (tight vs loose control), since it was not deemed an important variable for the small Italian wineries context.
- 12 items on market orientation. These questions were selected from Hooley & Piercy (pp. 11-13, 2008). It was decided to keep 5 items for customer orientation, 4 items for competitor orientation, 1 item for interfunctional coordination, 1 item for long-term perspective and 1 item for organizational culture.
- 2 items on risk aversion taken and adapted from Dahlback (1990)
- 2 items on resistance to change taken and adapted from Oreg (2003)
- 1 item regarding the level of education of the respondent.
- 1 item regarding the percentage of the production sold with the three different quality labels. There are three way of labelling a wine in Italy: IGT, DOC and DOCG (displayed in order of quality). To build an indicator for measuring the adherence to quality standards we assigned a score of 1 to IGT, of 2 to DOC and 3 to DOCG and average these scores with the percentages of each quality standard the companies produce.

- A series of items regarding company's structure and main distributors.

The most critical aspect of preparing the questionnaire was finding good operationalizations of the concepts and then translating and adapting them in a way that would be easily understood by people with different educational background. After the translation of the items in Italian two actions were taken:

- Some interviews with Italian wine producers were held, during which they were asked to judge and discuss the most critical items, and also give some suggestions to better operationalize them.
- A pilot was run to a random sample, asking to add comments, whenever a question it was difficult to answer. From this test an interesting number of hints were collected.

The questionnaire presented in the appendix is the result of the translation in English of the Italian version.

A space was left to add any comments regarding the research or particular aspects of the company, this space was filled in the 30% of the cases with interesting and useful insights, which can be used to better understand the company, develop better managerial implications and better explain the results at the very end of this study.

In the email that was sent to wineries the research and the motivation behind it were presented. As instrument to foster response and to engage the participants in responding accurately, it was guaranteed that after the completion of the study the results were going to be distributed among the participants. The feedbacks were more numerous than expected. A large number of emails poured in, and some of them expressed their satisfaction regarding the topic chosen and asked to be updated about the result. This allows us to positively judge the quality of the data collected.

Data Analysis

This study's unit of analysis are Italian wineries (managers). They have been randomly selected from the population. The database presented in the website <http://www.bereilvino.it> is up to date and contains complete data and addresses about all the wineries in Italy. The survey is based on a questionnaire distribute via email. N° 1000 companies were contacted and n° 117 completed the questionnaire.

Data are analysed using the statistical software SPSS. The hypotheses are tested one by one using regression analysis and then the overall conceptual model is tested, to identify the most significant relationships. Since the main purpose of the study is to explore the market orientation of the Italian wine companies, a series of descriptive statistics are analysed to see the average level of market orientation and his distribution.

Reliability

Reliability of the measures is assessed, the Cronbach Alpha coefficient of internal consistency is calculated for the constructs analysed. The following table shows the coefficients for the general market orientation construct (12 items) and for two of the constituting parts: customer orientation (5 items) and competitor orientation (4 items). Since they are all positioned above 0.7 we can judge our measures as reliable.

Construct	Cronbach Alpha
Market Orientation	0.79
Customer Orientation	0.72
Competitor Orientation	0.80

Figure 8: Cronbach Alpha

Findings

The main objective of the study is exploring whether Italian wineries are market oriented and to what extent. For this reason an overview of the main descriptive parameters of the sample analysed is compelling.

The average value of market orientation is 3.49, this shows there is not a strong agreement or disagreement regarding the construct. Looking at the individual parameters that determine the concept, we can say that customer orientation, with an average value of 3.9, and interfuncional coordination, with an average value of 3.8, are the most important factors for a high degree of market orientation. Looking at the individual items used in the measurement, the most important ones, with an average value of 4,4, are represented by the ability to establish a long-term relationship with the customers¹⁰ and by the attention posed on satisfying the customers.¹¹

	Market Orientation	Customer Orientation	Competitor Orientation	Interfunctional coordination	Long-Term orientation	Organizational culture
Mean	3.4866	3.9226	3.0424	3.8174	2.9018	3.6783
Std. Deviation	.66503	.75139	.97397	1.18160	1.30805	1.18134

Figure 9: Market orientation constructs, results.

Regarding organizational culture parameters the most relevant ones are openness, which has an average value of 4.1, and professional approach, with an average value of 3.9.

	NormVsPrag	ParVsProf	EmplVsJob	ProcVsResult	OpenVsClose
Mean	3.0855	3.9658	3.8291	3.9231	4.1336
Std. Deviation	1.39316	1.12136	1.06099	1.02683	.78396

Figure 10: Organizational culture constructs, results.

¹⁰ We put major effort into building stronger relationship with key customers and customer groups.

¹¹ Our corporate objective and policies are aimed at creating satisfied customers.

Regarding companies' structure, we can easily see that the size of most companies is around 20 hectares, with a number of permanent employees averaging the 5 units.

	Hectares	N° Employees
Mean	128.6757	15.1250
Median	20.0000	4.0000
Mode	20.00	5.00
Std. Deviation	676.61652	58.83633

Figure 11: Companies' structure, results.

In order to have a clearer idea about how Italian wineries are market oriented the sample was divided in two different groups based on the degree of market orientation shown.

Through this division it is possible to look at the characteristics of the variables for each of the groups considered. The group marked as High Market Orientation comprises all those companies that show a degree of market orientation higher than 4, whereas the group marked as Low market orientation comprises all the companies that show a degree of market orientation lower than 3. The following table reports the average value for the variable in each case.

		High Market Orientation	Low Market Orientation
Culture	Pragmatic	3.0333	2.7333
	Professional	4.5000	3.6333
	Employee	4.1667	3.5000
	Result	4.0667	3.7333
	Openess	4.3167	3.7333
Top Management	Educational Level	2.7667	2.9667
	Risk Aversion	2.6034	3.2500
	Resistance to Change	2.5862	3.1667
Others	Agriculture Type	1.8276	2.1000
	Number of Employee	7.4828	22.6897
	Quality index	1.6323	1.6487
	Percentage Export	0.4839	0.4423
	Average Price	16.6950	3.8621

Figure 12: Highly and lowly market oriented companies, comparison.

What is noticeable is that highly market oriented companies are more pragmatic, professional, employee and result oriented and open. Top managers of highly market-oriented companies are less risk averse and less resistant to change. Highly market oriented companies have a higher number of employees and charge higher prices on average.

Relationships between the items involved in the analysis were in the beginning observed through the correlation matrix. A representation will be displayed in the appendix 2.

Significant values (<0.05) are here displayed:

- Resistance to change is negatively correlated (-0.300) to corporate policies aimed at creating satisfied customers.
- The number of employees is negatively correlated (-0.272) to corporate policies aimed at creating satisfied customers.
- A pragmatic culture is positively correlated (0.292) to the collection of information about competitors.
- A pragmatic culture is positively correlated (0.328) to the responsiveness to the competitors' actions.
- Certificated quality¹² is negatively correlated to putting emphasis on differentiating from competitors.
- A professional approach is positively correlated (0.533) to a long-term perspective.
- An employee-oriented culture is positively correlated (0.272) to interfunctional coordination.
- Resistance to change is negatively correlated (-0.255) to the employee acknowledgement of the role in creating satisfied customers.

¹² IGT: Indicazione Geografica Tipica

DOC: Denominazione di Origine Controllata

DOCG: Denominazione di Origine Controllata e Garantita

In order to highlight the significant differences between the two groups, high and low market oriented companies, a t-test for the mean was run on the sample. The variables that show a significant difference and deserve a particular attention are:

- Professional culture, which is stronger in highly market oriented companies, with a level of significance of 0.05.
- The number of employees, which is lower in highly market oriented companies, with a level of significance of 0.1.
- The average price charged by the companies (independently from the channel of distribution), which is higher in highly market oriented companies with a level of significance of 0.05.

Hypothesis derived from the conceptual model are tested through regression analysis. In the beginning all the relationships are observed on an individual basis (simple regression). Openness is positively correlated ($b = 0.24$) with the degree of market orientation with a level of significance of 0.002. Professional approach is positively correlated ($b = 0.24$) with a level of significance of 0.008. Also Employee orientation is positively correlated ($b = 0.15$) with a level of significance of 0.01. Regarding top management factors, risk aversion was found to be significantly related to market orientation ($b = -0.19$) as well as resistance to change ($b = -0.25$); both with a level of significance lower than 0.05.

The relationship between market orientation (independent variable) and the average price charged is significant (<0.05) with a b of 5.7. The table below reports the findings for each hypothesis formulated.

Hyp.	Relationship	Direction	B	Supported/rejected
P1a	ProcessVsResult → Market Orientation	+	0.09 (n.s.)	Rejected
P1b	OpenVsClose → Market Orientation	+	0.24**	Supported
P1c	PragmaticVsNormative → Market Orientation	+	0.05 (n.s.)	Rejected
P1d	ParochialVsProfessional → Market Orientation	+	0.14**	Supported
P1e	EmployeeVsJob → Market Orientation	+	0.15**	Supported
P2a	Risk Aversion → Market Orientation	-	-0.19**	Supported
P2b	Resistance to change → Market Orientation	-	-0.25**	Supported
P2c	Educational Level → Market Orientation	+	-0.01 (n.s.)	Rejected
P3	Company size → Market Orientation	+	0 (n.s.)	Rejected
P4a	Market Orientation → Quality standards	+	0.08 (n.s.)	Rejected
P4b	Market Orientation → Average price	+	5.7**	Supported
P5	Market Orientation → Type of agriculture	+	-0.12 (n.s.)	Rejected
P6	Market Orientation → Exports	+	0.02 (n.s.)	Rejected

Figure 13: Analysis of the simple regressions.

To verify the goodness and the prediction power of the overall model we run a multiple regression using all the independent variables considered before. The result is a model with an R^2 of 0.241. Only values significant below 0.05 are accepted. As you can see from the table open culture and a professional approach have a significant and positive relationship with the construct of market orientation. The model is significant at 0.001. VIF statistic does not show high multicollinearity.

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
.491	.241	.173	.60827	3.530	0.001

Figure 14: Multiple regression.

	Unstandardize Coefficient		Standardize Coefficients			
	B	Std. Error	Beta	t	Sig.	VIF
(Constant)	2.343	.611		3.831	.000	
NormVsPrag	.061	.044	.125	1.366	.175	1.107
OpenVsClose	.163	.077	.190	2.116	.037	1.065
ParVsProf	.135	.056	.222	2.383	.019	1.145
EmplVsJob	.058	.065	.090	.904	.368	1.315
ProcVsResult	.052	.062	.078	.841	.403	1.143
Ed.Level	-.017	.048	-.032	-.345	.730	1.136
Risk_Av	-.119	.068	-.168	-1.763	.081	1.201
Res_Change	-.103	.086	-.115	-1.194	.235	1.222
Nempl	-.001	.001	-.047	-.528	.598	1.041

Figure 15: Multiple regression.

Multiple regression is run again using the two significant variable as independent. The R^2 in this case is 0.126, which shows that half of the market orientation in the model is explicated just by openness and professional approach.

Conclusions

Following from the results of the study we can say that there is a substantial difference between market-oriented wine companies with regard to many variables. Italian wineries are not strongly market oriented on average; nevertheless it is important to notice is that the scores on customer orientation and interfunctional coordination are high and represent the most important part of the concept in our case. With regard to the culture configuration the strongest characteristics are high openness and professional approach, an orientation to the results is also worthwhile to notice. Italian wineries on average are small and have a few employees, especially if compared with wineries of other countries.¹³

Through controlling the variables for high and low market orientation degree more insights are extracted. Highly market oriented wineries are more open, employee oriented and use a

¹³ USA wineries in 2011 had an average size of 48 hectares (FAO)

more professional approach. Furthermore, highly market oriented companies are smaller and normally charge higher prices on average.

Several hypotheses are supported by the study: openness, employee orientation and professional approach are positively related to market orientation. It is also interesting to notice that top management factors have an influence on market orientation; if the relationships are analyzed separately (simple regression with one independent variable) risk aversion and resistance to change are negatively related to the degree of market orientation.

Market orientation leads also to higher average prices charged by the companies. As already stated in the hypothesis development, in this study only correlations are tested. Causality is hypothesized and proved through literature review and personal reasoning. Due to the fact that market orientation is a culture configuration and it is harder to be changed than a product characteristic (as price may be), we believe that the independent variable should be represented in this case by market orientation.

Interpretation

Italian wineries are not strongly market oriented on average: the mean is 3.49 on a scale from 1 (=strongly disagree) to 5 (=strongly agree). This confirmed the hypothesis based on the characteristic structure of the industry, as already mentioned before. Looking deeper into the concepts, thus into customer and competitor orientation, interfunctional coordination and long-term perspective, we notice that the first two have the highest scores.

The high result with regard to customer orientation is absolutely positive and shows how Italian wineries pay a lot of attention to fulfil customer needs and wants. If we look at the singular items, the most important one, with an average value of 4.44, is represented by the ability to establish a long-term relationship with customers, which is one of the key aspects of a marketing strategy in the wine industry. The key strategic importance of this item was also

confirmed by the interviews I had with wineries manager: one of the biggest marketing investments for the wineries business is engaging with customers and establishing a relationship with them.

Interfunctional coordination appears also to be high in Italian wineries. A possible explanation, although not statistically significant in our sample, is the average size of the Italian wineries, since most of them are really small, it is easy to bind together all the employees and align them toward the same values and objectives.

It is interesting also to look at how Italian wineries are configured in term of organizational culture (Hofstede, 1991). Basing our observation on the factor which scores are more strongly dislocated from the middle of the scale, we can say that Italian wineries are characterized by a high openness. This is caused by the fact that the greatest part of the production is exported (the internal demand is not enough to satisfy the supply, and Italy is the greatest wine producer in the world, in terms of quantity) and they have to be prepared to face different culture approaches; furthermore, being open to attract and welcome external people to get in touch with wineries, is a key competence to start a commercial relationship in the long-term. To sum up, relationships are a key factor of success for a wine company, and despite not statistically confirmed by our sample, being open appear to be the most effective culture configuration to achieve it.

Another factor that determines the culture of wineries is the professional approach. This reflects how they (the respondents of the questionnaire) see the organization they work in. Being professional means separating the life in the organization from the private one, identifying ourselves with the profession and not with the culture and rules of the company they take part in. The data also shows how wineries are strongly result oriented, continuously worried about the outcomes of a specific production rather than the mere process.

As already mentioned the average structure of an Italian winery is one of a small enterprise. Looking at the data collected we can easily see that the largest part of the companies have a dimension of 20 hectares and have a number of permanent employees that is close to 5. The median the mode are the indicators that better reveal these characteristics, since the mean is biased by a small number of really big companies; these are big player that don't represent the average characteristics of the wine industry. There is not the prevalence of a certain agriculture type; the wineries in the sample are equally distributed between the three types of agriculture.

To understand relationships with companies' structure the number of employees was used. It was decided not to use the number hectares or the production because too related to the type of production. Due to the variety of wines in Italy, with different productivity rate per hectare, the variables like production, hectares of vineyards and revenues were not taken into account for the analysis. The data shows high variability and low correlation with any of the other factors measured.

The variables regarding the quality standard were derived based on how the wines are labelled according to the geographic certifications. This way of labelling represents the adherence of the product to a certain quality standard. There are three ways of labelling a wine in Italy: IGT, DOC and DOCG (displayed in order of quality). The relationship between market orientation and quality standards is not significant in our sample.

Consequently from the result of the hypothesis testing we can say that there is strong correlation between organizational culture aspects and Market Orientation, as said by Kasper (2001) and Day (1999) organisational culture configuration is strongly related to market orientation. This relationship is confirmed also in the case of Italian wineries and shows some of the strongest point in the factors that are strategically critical for Italian wineries. The most important is identified in the Openness, which appears to be very strongly related to market

orientation. Following my informal conversation with some of the wine producer (and at the same time exporters) the ability to understand and interpret cultural diversity in order to build strong commercial relationships is of a great importance in the wine business nowadays. Being market oriented in this industry signifies therefore, having an open culture. A professional approach was strongly related to the degree of market orientation, in this case a possible bias of our sample is introduced: the respondents were all able to use the computer and the email, which assumed a certain level of technology knowledge. This kind of sample could have excluded a big part of wine producers who are not familiar with this kind of instrument and therefore not really well educated. Hofstede (1991) cites the level of professionalism as strongly related with the level of education. From these premises we can understand how this parameter could have been biased; it will be mentioned among the limitations

Employee orientation is also strongly related to market orientation. Employee orientation is related to how the company cares about employees' wellbeing. Following the classification made by Quinn (1988) and applied into the market orientation context by Day (1999), Adhocracy is the organisational culture configuration that better fit a market-oriented company. A high degree of external positioning and an organic structure characterize this culture configuration. The latter also refers to the attention to the wellbeing of the individual in the organisation.

It is noticeable that company size has an effect on market orientation. Although not relevant in the regression, through analysing the difference between highly market oriented companies (score higher than 4) and lowly market oriented (score lower than 3), a relevant difference emerges: highly market oriented wineries appear to be significantly smaller than the lowly market oriented wineries. If we look at the kind of distribution used, (whether it is a

big or a small winery) it emerges that small companies tend to sell to reseller and directly to private customers; this can explain a closeness to the customer and therefore the higher degree of market orientation.

Regression analysis also shows that market orientation leads to higher average prices. Average price can be related with quality of the products and with the ability to place them in the market at the higher possible value. Market oriented companies can place higher value in the market thanks to different means:

- Information gathering: market oriented wineries gather more information about customer and competitors and are able to prepare the best offer for the customer base.
- Closeness to the customers: activities that are not considered “core” for the production of wine helps wineries to better place the product: the ability to establish long term relationships with customers and the ability to communicate the value of the products are key.

Theoretical Implications

Market orientation has been analyzed thoroughly in a lot of different perspectives, starting from the idealization of the concept, his relationship with different variables (performance, innovations) and his implementation in a lot of different industries. What has not been treated in the literature is how the concept of market orientation has been considered in the wine industry and more specifically in the Italian context. The Bulgarian study (Zaharieva et Al, 2007) sets the stage for a thread of studies in this perspective, but presents a lot of differences with respect to our analysis: first of all the national context is completely different (Bulgaria vs Italy) and on the other hand the type of research differs, since the study was conducted with qualitative interviews in a sample of 10 companies.

There are no prominent academic studies on Italian wineries behavior with regard to market orientation, and this makes our analysis quite relevant for its nature.

Italian wine industry presents peculiarities that are interesting to be considered: first of all in terms of culture, the strong attention to quality presents wineries with hard challenges in terms of understanding customer needs and tastes, second of all, the structure of the industry, mostly characterized by small companies, induces them to focus on the local market not implementing marketing activities and being normally production oriented.

Market orientation has usually been associated with superior financial performance, in terms of ROI or other minor indicators. In this study a strong positive relationship is found between market orientation and the average price of the production sold, this characteristics sets the possibility to use the price as indicator, referring to it also as the ability to produce quality and to make consumer understanding the value of it (quality).

The relationship between organizational culture and market orientation it has been researched. The configuration of a market-oriented organization has been analyzed using different theories about culture, Quinn (1988) framework is one of the most important to date. The implementation of Hofstede (1991) for analyzing the organizational culture it has been used just in a few cases (e.g. Kasper, 2001) and it is a valuable tool for having a holistic perspective on the concept. The combination of it with the context of this study gives a new perspective and a further proves the adaptability of the conceptualization in different domains.

Through controlling for the degree of market orientation it is identified that highly market oriented wineries are smaller than low market oriented wineries, this goes against the hypothesis formulation and against most of the studies published to date. This particularity reflects the peculiarities in which our study is run, but offers a different perspective on what

is normally found in the researches about market orientation. Size is not always positively related with market orientation, it therefore depends on the industry analyzed.

The qualitative part of the questionnaire gives the possibility to have a general opinion about the study. In several cases the respondents stated that, on their side, they are striving to produce the higher quality, and therefore the role of the customer is understanding their products and the way they are processed. Therefore, they are in some ways ignoring a market-oriented approach. This shows how, in particular niches (we hypothesize in case of high quality productions), market orientation could not be the best approach or an important determinant of success. This alternative perspective sets the stage for a different attitude about the topic of market orientation, especially regarding particular industries. Market orientation can be considered therefore a flattening factor for wine tastes, it may hinder the development of innovative products and new trends (as already stated in the literature review). New and more specific research is needed in this sense.

As a final comment we can say that the study succeeds in its purpose: it gives a perspective on how market orientation is implemented in wineries throughout the whole Italy, providing a sort of “picture” of the situation. An analysis is run to identify differences between north, south and middle Italy and between the biggest winery regions and the rest. Any of those analysis gave significant outcomes.

Managerial Implications

The study offers several suggestions for wineries managers to configure their organizational culture in order to be as much market oriented as possible. Organizational culture can be changed (insert citation here), it is a long term setting but fundamental in order to pursue certain strategies. The study narrows down the relationship between market orientation and organizational culture to the wine industry, with the objective of answering the question:

“What is the cultural configuration for a winery to be market oriented?”

Through this study is possible to obtain an answer, the cultural aspects that need to be incentivized are openness and a professional approach. The first stresses the openness toward external parts involved in the company's processes: people in the company have to be approachable, being able to relate with different entities and national cultures and easily creating binds with new people. The second, a professional approach, means being able to separate the life in the organization from the private one, identify with the profession and not with the culture and rules of the company we take part in.

The higher number of small companies having a higher degree of market orientation shows how sometimes when a company grows, it gets detached from the end customer and pays less attention to all aspects related to his needs and tastes. Winery managers should bear this in mind when it comes to make decisions involving growth; these have to be planned correctly, paying attention to how the focus toward the customer and the coordination between departments are implemented.

The relationship is relevant also if we look at it from the perspective of the resellers or generally of people who buy the wine. If they want to have high understanding of needs, a good and long-term relationship with the winery it is worthwhile for them to look at smaller companies (on average 7 employees).

Market orientation is positively related to average price, this provides an interesting perspective to wineries managers, and shows the value behind being market oriented.

Being able to obtain a higher price, on average, could induce us to think that market oriented wineries:

- Place product of higher quality in the market
- Are better in communicating the value of their product to the market
- Are better in capturing the value of their product from the market

Although it is a perspective that needs further refinements, it provides a direction on what could be the strongest point of market-oriented wineries.

Italian wineries on average do not present a high degree of market orientation. Looking at the separate construct we can clearly see that competitor orientation and long-term perspective are the aspects regarding which they are lagging behind the most. This picture of the Italian context offers a possibility for developing further distinctive competencies. The ability to observe the activities of the main competitors and quickly react if necessary can be of additional value for wineries that are willing to compete in a tough market situation as the one that characterizes the context nowadays.

Limitations and Future research

Limitations of the study are related to the type of research, to the characteristics of the respondents and to the response rate. It is always hard in B2B research to obtain responses, for several reasons: time pressure on a normal business activity, unclear responsibilities about who should fill out the questionnaire is not clear and so on. The questionnaire was sent out via email and this has exacerbated the issue, since email surveys have typically a lower response rate. The risk of having a non-response bias is high in this study, since it is possible that people that answer the survey were the ones with higher educational level (so higher professional approach) or higher attention to the external parties, which can result in a higher market orientation. Future study in this perspective should analyze the characteristics of the population in terms of education and compare them with the sample. If possible having respondent answering the questionnaire personally can lead to better result, especially regarding the nonresponse bias. The analysis of the senior management factors such as risk aversion and resistance to change can be discussed as a potential flaw of the study: the two parameters show high and significant correlation between them ($\beta = 0.333$) and similar

relationships with the other factors. This fact suggested a more thorough analysis in future studies. The items considered for our questionnaire have not been sufficient to properly isolate the two different constructs.

The number of respondents is 117, which can represent an improvement point of the research. Having a bigger sample would have meant a better representation of the market orientation degree of Italian wineries. Furthermore, when considering the average price by which the production is sold, we have to be aware that prices vary according to the channels of distribution; despite these limitations, we still think that this study is reliable since it shows prices ranges in a sufficiently large sample.

Following the phenomenon of the “market orientation rejection”, already presented in the theoretical implications, it is worthwhile to suggest as a further path of research, the adaptation of theories regarding proactive market orientation for the wine industry. In this way we are also taking into account those producers that strive to sell the best quality they (producers) want. Those wineries managers are not taking too much into consideration what are the external needs and they are trying therefore to educate customers to appreciate their wines for what they are. This way they are fostering the diversification and the typicality of certain wines, essential element in the industry analyzed.

Future studies should take into account these aspects as well as considering the directions undertaken by this research.

Future researches should address the relationship between market orientation and production sold going deeper, and controlling the sample for the channel of distribution used. This would not have been possible in this case due to the size of the sample.

Last but not least we should bear in mind that the respondents of the questionnaire were managers or owners of the business. This might point to a biased vision of what is the “true” and especially the shared organizational culture of the company.

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Appendix

Appendix 1: Questionnaire

Organizational Culture. (Hofstede) 5 points Likert Scale

1. Meeting Customer needs has top priority VS The correct application of procedure has top priority.
2. Our strategy is based on short-term objectives VS Our strategy is based on a long-term vision.
3. The organization and its people are open and transparent to outsiders VS The organization and its people are closed and secretive to outsiders
4. The organization is only interested in aspect related to productivity. VS The organization takes direct responsibility for the personal well being of their employees.
5. New employees need only a few days to feel at home. VS New employees need more than a year to feel at home
6. Everyday in the organization is characterized by the same routine. VS Everyday in the organization brings new challenges.

Market orientation. 5 points Likert Scale

1. Information regarding customer needs and tastes are collected regularly
2. Our corporate objective and policies are aimed at creating satisfied customers.
3. Levels of customer satisfaction are regularly assessed and action is taken to improve matters where necessary.
4. We put major effort into building stronger relationship with key customers and customer groups.
5. We recognize the existence of distinct groups or segments in our markets with different needs and we adapt our offerings accordingly.
6. Information about competitor activities is collected regularly.
7. We conduct regular benchmarking against major competitor offerings.
8. There is rapid response to major competitor actions.
9. We put major emphasis on differentiating ourselves from the competition on factors important to customers.
10. Our decisions are guided by long-term strategies (5-10 years) rather than short-term (1 year).
11. The information regarding needs and tastes of our customers are discussed together with all the staff.
12. All employees recognize their role in helping to create satisfied end customers.

Risk aversion. 5 points Likert Scale

1. I am less cautious than people in general.
2. I often dare to do risky things which other people are reluctant to do

Resistance to change. 5 points Likert Scale.

1. I generally consider changes to be a negative thing.
2. I often change my mind.

Others

1. What is the highest degree of education achieved?
2. Average production of the last 3 years (hl).
3. Vineyard extension in hectares.
4. Average revenues of the last 3 years (€).
5. Average production sold in the last 3 years (hl).
6. Number of employees.
7. Percentage of the production labeled as IGT, DOC, DOCG
8. Percentage of the production distributed to: Privates, Restaurants/bar/hotel, Retailers, Wholesalers
9. Type of agriculture
10. What is the percentage of the production exported?

Appendix 2: Correlation Matrix.

Only significant values displayed. (<0.05 values are highlighted)

	Information regarding customer needs and tastes are collected regularly	Our corporate objective and policies are aimed at creating satisfied customers.	Levels of customer satisfaction are regularly assessed and action is taken to improve matters where necessary.	We put major effort into building stronger relationship with key customers and customer groups.	We recognize the existence of distinct groups or segments in our markets with different needs and we adapt our offerings accordingly.	Information about competitor activities is collected regularly.	We conduct regular benchmarking against major competitor offerings.	There is rapid response to major competitor actions.	We put major emphasis on differentiating ourselves from the competition on factors important to customers.	Our decisions are guided by long-term strategies (5-10 years) rather than short-term (1 year).	The information regarding needs and tastes of our customers are discussed together with all the staff.	All employees recognize their role in helping to create satisfied end customers.
Meeting Customer needs has top priority VS The correct application of procedure has top priority.	.210					.292		.328	.235			
Open VS Close Culture	.222	.246	.215									.294
Our strategy is based on short-term objectives VS Our strategy is based on a long-term vision		.215								.533		
The organisation is only interested in aspect related to productivity. VS The organisation takes direct responsibility for the personal well being of their employees	.236	.208						-.212			.272	.301
Everyday in the organisation is characterized by the same routine VS Everyday in the organization brings new challenges												
Risk Aversion		-.199								-.212		
Resistance to Change		-.300	-.211									-.255
Number of Employees		-.272										
Type of Agriculture			.194					.195				-.227
Percentage of exports										.187		
Quality index									-.251			